

<p align="center">2003-2004 ANNUAL REPORT</p>

SPECIAL REVENUE FUNDS (CONT'D.)

Home Investment Partnership Program Fund

The Home Investment Partnership Program Act, enacted by Congress in 1990, established a program of federal assistance to State and local governments for affordable housing projects. The City established the Home Investment Partnership Program Fund (HOME) in 1993-1994 to utilize the available federal funding for activities associated with housing rehabilitation and new construction. This fund is also utilized for federal Rental Rehabilitation Program activities.

***Home Investment
Partnership Program
Fund***

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 7,036	\$ 2,557	\$ (4,479)	(63.7%)
<i>Expenditure</i>	10,979	3,847	7,132	65.0%
<i>Fund Balance (est. *)</i>	3,897 *	8,303	4,406	113.1%

The variance in revenue of \$4.5 million is primarily due to delays in the development of housing projects that qualified for federal funds. The funds are drawn from HOME as they are used, therefore, revenue and expenditures both reflect lower than projected estimates.

The expenditures in this fund are primarily allocated as loans and grants for the development of affordable housing. The U.S. Department of Housing and Urban Development (HUD), the main funding agent, allows the Housing Department a maximum of two years to commit to a project and two more years for completion of a project.

During 2003-2004, the Housing Department disbursed funds to two projects, Home Safe San José (\$660,718) and Eden Palms Apartments (\$811,221). The variance in both revenue and expenditures is primarily due to postponing the San Carlos Senior Housing project (\$6.6 million) until 2004-2005. These funds were rebudgeted to 2004-2005 as part of the 2004-2005 Adopted Operating Budget.

The \$4.4 million positive fund balance variance is the result of lower than estimated expenditures.